GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:2878
ANSWERED ON:20.03.2017
Royalty Dues to States
Fatepara Shri Devajibhai Govindbhai;Kundariya Shri Mohanbhai Kalyanjibhai;Patil Shri Bheemrao Baswanthrao;Roy Prof. Saugata

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government has exempted Rs.22000 crores to state-owned oil producers Oil and Natural Gas Corporation Limited (ONGC) and Oil India Limited (OIL) from the potential liability of royalty dues to States like Gujarat and Assam and if so, the details thereof;
(b) whether the upstream companies including Oil and Natural Gas Corporation Limited (ONGC) are unilaterally paying the royalty to the States on post-discounted prices;
(c) if so, the details thereof along with criteria fixed by the Government for payment of royalty to the States on offshore and onshore oil and gas blocks, State/UT/company-wise;
(d) whether the Hon'ble Supreme Court of India directed ONGC to pay royalty on pre-discounted price of crude oil and if so, the details thereof along with any directive to ONGC for payment of huge amount of royalty to Gujarat;
(e) the details of royalty paid by upstream companies to various State Governments during the last two years and the current year, company-wise; and
(f) whether some State Governments have not received the royalty of crude oil and if so, the reasons therefor along with the steps taken by the Government in this regard?

Answer

MINISTER OF STATE(INDEPNDENT CHARGE) IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DHARMENDRA PRADHAN)
(a) to (c) : In order to protect the consumer from the inflationary impact of rising international oil prices, the Government has been modulating the retail selling prices of Petrol (upto 25th June 2010), Diesel (upto 18th October 2014), PDS Kerosene and Subsidized Domestic LPG. As a result, the Public Sector Oil Marketing Companies (OMCs) incurred under-recoveries on the sale of these petroleum products. In this background, the Government has evolved a 'Burden Sharing Mechanism' since 2003-04 to ensure that the burden of under-recoveries incurred by OMCs is shared by all the stakeholders in the following manner:
i. Government through issue of Oil Bonds/Cash Subsidy
ii. Domestic upstream oil companies, including ONGC and OIL through price discounts to OMCs,
iii. OMCs to bear a portion of the under recoveries.
It was provided that the discount offered by upstream oil companies would not affect the royalty payable to the State Governments. Upstream oil companies paid the royalty on pre-
discount price during the years 2003-04 to 2007-2008. However, in May, 2008, Government withdrew the said provisions. Accordingly, ONGC and OIL started making payment of royalty to State Governments at post discount price for the period 01.04.2008 to 31.01.2014.
(d): Government of Gujarat challenged the withdrawal of the said directives regarding payment of royalty to State Governments at pre-discount prices before the Gujarat High Court. Gujarat High Court inter alia pronounced that royalty on crude oil is to be paid on pre-discounted price. Aggrieved by the order, ONGC filed a Special Leave Petition before the Supreme Court. Supreme Court stayed the operation of the impugned judgment subject to the condition that ONGC pays royalty to State of Gujarat on pre-discounted price of crude oil w.e.f. 1st February 2014 onwards. Subsequently Government of Assam also filed a writ petition before the High Court of Guwahati and further moved to the Supreme Court. Recently all the stake holders reached an agreement and it was decided that an amount of Rs. 8392 crores and Rs. 6306 crores will be paid by the Government of India directly to the Governments of Gujarat and Assam respectively for the dues of royalty for the period from April, 2008 to Jan, 2014. Supreme Court has disposed the both petitions as per above agreement.
(e): The details of royalty paid by ONGC/OIL to various State Governments during the last two years and current years are at Annexure.
(f) Government has decided to pay the outstanding amount of royalty to all similarly placed State Governments i.e. Arunachal Pradesh, Andhra Pradesh, Assam, Gujarat and Tamil Nadu.